



# Debit Cards

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## **The numbers don't lie. Debit cards are one of the fastest-growing products in banking today.**

- There are approximately 654 million debit cards in circulation in the U.S. (471 million Visa and 183 million Mastercard)<sup>1</sup>
- Total U.S. debit card transactions:<sup>2</sup>
  - 2017: 82.6 billion (worth \$2.88 trillion)
  - 2015: 59.6 billion (worth \$2.3 trillion)
  - 2012: 47.3 billion (worth \$1.9 trillion)
  - 2009: 37.5 billion (worth \$1.4 trillion)
- Debit cards that include the Visa or MasterCard logo can be used at more than 25 million merchants worldwide.

## **Debit cards are becoming more popular with consumers than other payment methods—especially checks.**

- Debit card payments are fast, convenient and safe. Debit cards are easier to use than checks, safer than cash and free of interest rate charges.
- In 2017, debit cards accounted for 32 percent of all monthly payments, more than any other type of payment, including cash (27 percent) and credit cards (23 percent).<sup>3</sup>
- In 2015, more than 48 percent of noncash payments were made with debit cards (non-prepaid and prepaid) while payments by check were at 12 percent.<sup>2</sup>
- Active debit card users performed an average of 22.1 point of sale transactions per month with their debit cards in 2015, up from 21.2 in the previous year.<sup>4</sup>
- The average debit card holder spent an annual amount of \$9,739 on the debit card in 2015.<sup>4</sup>

## **Debit cards are most aligned with routine and essential retail purchases.**

- The average price on a debit transaction in 2015 was \$37.<sup>4</sup>
- A survey of consumers indicated debit cards as the most-used payment method for purchases at supermarkets (50 percent), gas stations at the pump (39 percent), discount stores (35 percent) and dine-in restaurants (37 percent).<sup>5</sup>

## **Consumers have choices with debit transactions.**

- Debit cards – which can be used with either a PIN (Personal Identification Number) or signature – are a popular, convenient and versatile form of payment.
  - When using a PIN, the money comes out of your account immediately.
  - When using signature, the transaction may take a day or two to clear, like a check.
- Some banks offer rewards to customers for transactions authorized by signature rather than PIN. Banks typically don't charge consumers for debit card transactions.

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- A 2005 court settlement allowed merchants to deny signature-based transactions, but experts believe most retailers don't want to restrict their customers' payment options.

## Consumers and merchants both benefit from debit card payments.

- Consumers:
  - Get protection from fraud.
  - Get protection from lost or stolen cards.
  - Get fast and convenient transactions.
  - Avoid the hassle of checks or cash.
  - Avoid the hassle of having to show I.D. as with checks.
- Merchants:
  - Avoid the costs involved with counting and protecting cash.
  - Avoid the losses that occur with bounced checks.
  - Get guaranteed payment.
  - Process payments faster than with checks, keeping customers happy.

## Debit card tips for consumers:

- **Memorize your PIN.** Never store it with your card.
- **Keep your receipts; you'll need them to check your statement.** If your account number is on them, tear up or shred receipts before throwing them away.
- **Know your limits.** Many issuers limit daily purchases and withdrawals for your protection.
- **Check your bank transactions online daily.** Check your statements as soon as you receive them if you don't bank online. Make sure all payments are yours.
- **Contact your bank immediately if your card is lost, stolen, or fraudulently used.** If you are a victim of debit card fraud, your bank will always protect you by crediting your account. If necessary, they will give you "provisional credit" to cover your loss while they are investigating (See "Background" below).

## Background:

Consumers have embraced debit cards as a preferred payment vehicle. In 2006, the number of debit card payments (25 billion) exceeded the number of credit card payments (22 billion) for the first time.<sup>1</sup> In 2010, they accounted for more payments than any other payment method, including cash.

In response to confusion over consumer liability protections, MasterCard and VISA announced in 1997 that consumers would only be liable for the first \$50, regardless of when they notify the bank of loss or theft of the card – essentially matching credit card liability rules. Later, MasterCard and VISA went one step further, imposing no liability on consumers who report fraudulent use of their card within two business days.

Even without MasterCard and VISA's new protections, under the Electronic Funds Transfer Act (EFTA), liability is limited to \$50 if the consumer reports the loss or theft two business days **after discovering** the loss or theft. After discovering this theft, if

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the consumer chooses not to notify the bank within two business days, EFTA caps the consumer's liability at \$500. If the consumer continues to fail to report the loss 60 days after the bank issues a statement, the consumer's liability may be unlimited, but only for fraudulent transactions made after this 60-day period. These periods can be prolonged for "extenuating circumstances," such as vacation or illness.

Bills have been introduced in Congress mandating liability requirements. ABA opposes such mandates because they may stifle development of new technology and ignore the impact of ongoing enhancements in debit card systems. The industry has responded to consumer concerns voluntarily and believes that the free market is working.

For information on the 2012 antitrust settlement involving interchange fees, see the "Interchange/Durbin Amendment" page in this guide.

*Sources:*

<sup>1</sup>*Debit Card Statistics*, CreditCards.com (2016). Retrieved from <http://www.creditcards.com/credit-card-news/debit-card-statistics-1276.php>

<sup>2</sup> *The Federal Reserve Payments Study – 2018 Annual Supplement*, Federal Reserve System (December 2018). Retrieved from <https://www.federalreserve.gov/paymentsystems/2018-December-The-Federal-Reserve-Payments-Study.htm>

<sup>3</sup> *The 2016-17 Survey of Consumer Payment Choice*, Federal Reserve Bank of Boston (May 2018). Retrieved from <https://www.bostonfed.org/publications/research-data-report/2018/the-2016-and-2017-surveys-of-consumer-payment-choice-summary-results.aspx>

<sup>4</sup>*2016 Debit Issuer Study*, PULSE (2016). Retrieved from [https://www.pulsenetwork.com/pulse/documents/index/serveDoc.html?doc=Debit\\_Issuer\\_Study\\_2016\\_Electronic](https://www.pulsenetwork.com/pulse/documents/index/serveDoc.html?doc=Debit_Issuer_Study_2016_Electronic)

<sup>5</sup>2014 Consumer Payments Study, TSYS (October 2015). Retrieved from [http://tsys.com/Assets/TSYS/downloads/rs\\_2014-consumer-payments-study.pdf](http://tsys.com/Assets/TSYS/downloads/rs_2014-consumer-payments-study.pdf)